A GRALLA PUBLICATION

Merchandising

JANUARY 1986

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

OVER 1,400 EXHIBITS and 37 seminars are on tap at the Winter Consumer Electronics Show. More than 100,000 are expected to attend.

ELECTRONICS

Wichita becomes a war zone as power retailers invade town

By Michael Garry, sr. assoc. ed.

WICHITA—In the past few years, traditional appliance and consumer electronics dealers in this Kansas town of 300,000 have cut customer services, reduced hours, slashed inventories, consolidated stores, pared sales staff commissions and, in some instances, trimmed the staff itself.

All this and more has been done with one thought in mind: survival. For retailing in Wichita is not what it used to be.

Until recently, the market was much like many others—dominated by small and medium-sized independents. But things began to change when power and discount retailers rolled into town, armed with massive buying and advertising power that has drastically altered the retail landscape.

Small stores, large independents, even K mart have all been hit by the arrival of outfits such as Silo, MidWest TV & Appliance, World Radio and Sam's Wholesale Club.

While all have fought back, the impact of the invasion has had a predictable impact on the smaller independents. At least one—O-Square Appliances—has gone out of business. And others have had to make radical changes just to stay afloat.

Sam DelGeorge, owner for 30 years of Del's TV-Appliance Center,

continued on page 37

APPLIANCES

Expanding 35-44 age bracket to spark replacement business

By Nancy Markov, field editor

BENTON HARBOR, MI—The rest of the century looks excellent for the replacement market in major appliances as the largest chunk of the population enters the years when most people make their second or third purchases.

There will be approximately 43.5 million people in the 35-to-44 age bracket in the year 2000, and it is this group that is the best audience for replacement purchases.

It's also an audience that's eager to trade up, to pay for extra features that will differentiate the new appliance from that first unit they probably bought with their home.

Factors less predictable than aging, however, will also affect the market. These include how often people will move, how much appliances cost, how long today's products last and the effects of changing lifestyles and new technologies.

Perhaps the most important factor that will boost sales of replacement appliances in the future is the aging of the population. More and more people are going to be entering their prime buying years.

According to Frank Maly, supervisor, market analysis, Whirlpool, the 25-to-34 and 35-to-44 age groups are the two major segments of appliance consumers. "The first

continued on page 62

HOUSEWARES

Inserts building sales excitement at more stores

By Lynne Kelly, managing editor

NEW YORK—The success of Free Standing Inserts (FSI's) as an advertising medium for housewares is prompting several major retailers to rely even more on this vehicle in 1986. These retailers are finding FSI's to be their most effective advertising tool—generating more sales than individual newspaper ads.

One retailer, who has used inserts for the past four years, credits FSI's with a 25 percent sales increase over the past three years.

Another retailer has made a major change in his advertising in the

continued on page 70

OPERATIONS

Check this out: promising site may suffer from store overload

By Nancy Lang, operations editor

LOS ALTOS, CA—Although that new store location you've been researching looks promising, don't move in yet. There may be too many competitors on the scene already.

How can you figure this out before taking the plunge? Answer: Use a simple formula to determine if "overstoring" exists.

In fact, math often enters into the site selection strategies used by the pros. For example, there are at least three formulas you can employ to make sales projections when choosing a new site.

As for the matter of calculating overstoring, it's as simple as subtracting the "supply" of retail space at a location from potential "demand."

The problem is, according to consultants interviewed by *Merchan-*

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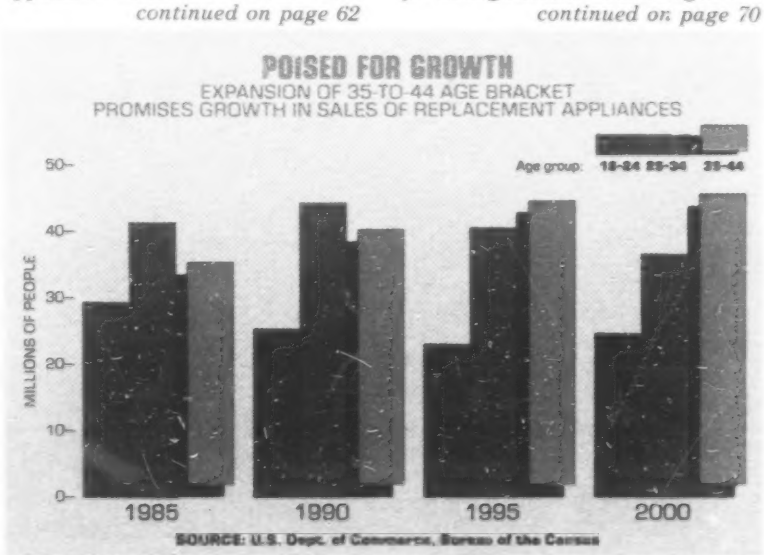
$6.3 billion buys RCA:
GE shocks industry with mega-buck takeover

See page 8



PEAKING IN 2000, the 35-to-44-year-old age group will account for 16.3 percent of the population.

Merchandising

FOR OVER 56,200 RETAILERS & WHOLESALERS

January 1986 / Vol. 11, No. 1 / Our 79th Year

17 PERSONAL ELECTRONICS

New breed of typewriter ads calls on Dr. Ruth, other celebs

Trying to inject new sparkle into their ads, electronic typewriter vendors have recruited the likes of sex therapist Ruth Westheimer and author Sidney Sheldon to help hawk the machines.

29 VIDEO & AUDIO

Earth stations come of age, moving into the mass market

No longer just a specialty item sold out of garages, satellite earth stations will be marketed this year by well-known mass merchants and consumer electronics chains.

57 MAJOR APPLIANCES

Solar energy finds a home: Ma and Pa appliance stores

The manufacturer of a solar-powered hot water heater has targeted the appliance store as the ideal retail outlet for a product with a history of marketing problems.

67 HOUSEWARES

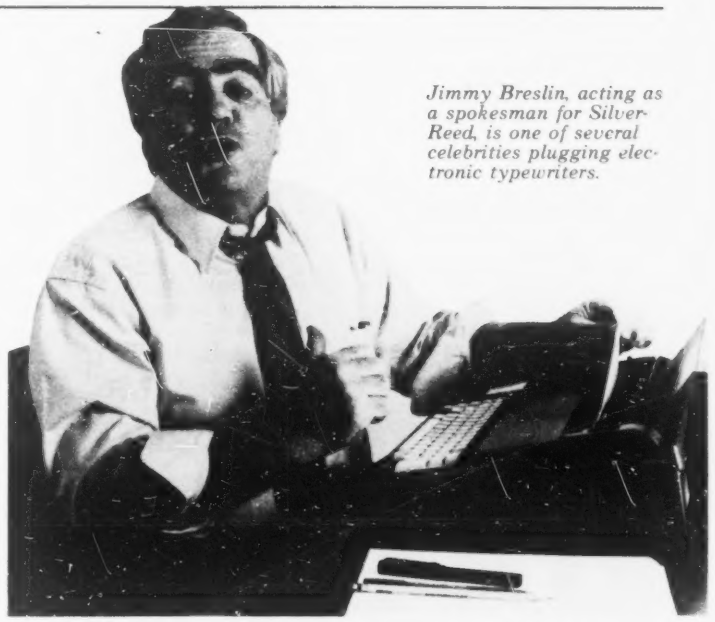
Digital thermometers steal the spotlight in healthcare

Sales of digital thermometers may rise to eight million units this year, double their 1985 volume. It's *the* hot product in a category that otherwise lagged last year.

77 STORE OPERATIONS

You still need money? Try this winning formula

Money for business growth is available, despite what you may think. Financial maven Alan Fishman proposes four steps by which you may be able to find funding.



Jimmy Breslin, acting as a spokesman for Silver-Reed, is one of several celebrities plugging electronic typewriters.

Satellite systems mean high margins for the retailers who sell them.

Ease of installation makes a new solar-powered water heater a good bet for appliance stores. ▶

Blood pressure monitors represented a $135 million market in 1985. ▼

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Videocassette consumer base is broadening

ST. PAUL, MN—The profile of the blank videocassette consumer is changing: the user base has broadened considerably, according to research from Industrial Market Research.

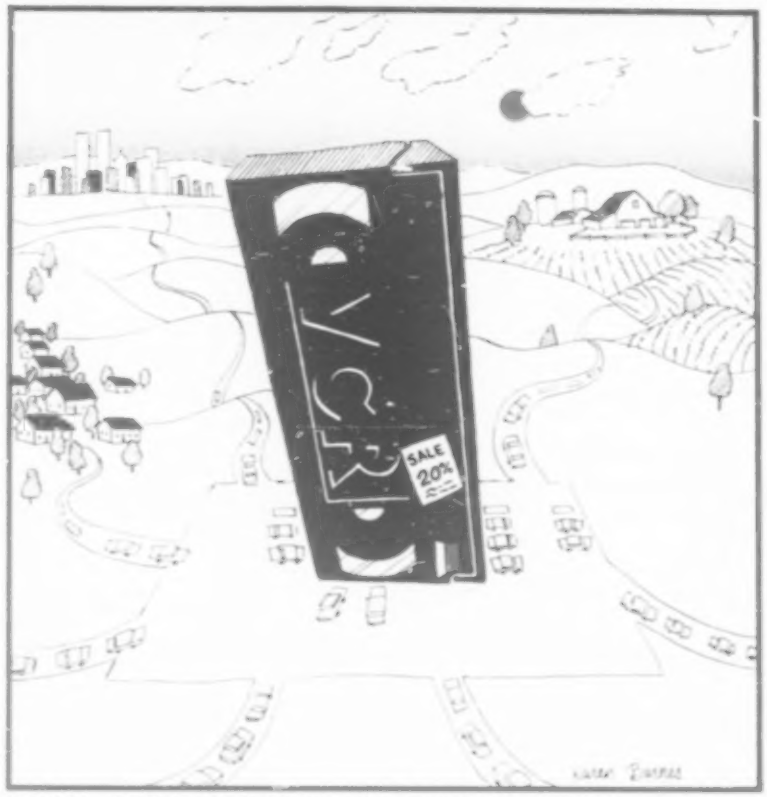
Where once the primary users of blank videocassettes were younger males (25 to 49 years old), a younger group has moved in, in the 18 to 24 age bracket. This group includes an influx of women as well: 40 percent of all purchases in the category are now made by women.

Demographics change

Other demographics have also changed. Formerly, about 70 percent of users had attended or graduated from college. They had a median household income of $32,000. A household typically was comprised of two full-time, white collar employees, with 65 percent of them employed in a professional managerial or clerical position. Seventy-three percent of users were married and 85 percent lived in or near a city.

But as penetration of VCR's increases, said Robert Burnett, marketing director of consumer products, magnetic audio/video division of 3M, who presented the finding to the ITA, there is now also a growing importance in lower, more "average" incomes. A great influx in the households with a $27,000 to $32,000 income bracket can be found.

In addition, single adults now account for 27 percent of all purchasers.



RURAL AREAS ARE MORE IMPORTANT in the blank videotape market than before as the user base broadens, according to a study by Industrial Market Research.

AHAM calls for timesaving info

BENTON HARBOR, MI—There is a great need for more research on how household appliances make daily life easier, said Len Schweitzer (Whirlpool), chairman of the Association of Home Appliance Manufacturers (AHAM) Ad Hoc Committee for Time/Use Research.

AHAM needs research that will tell "positive" stories about how appliances have helped create two wage earner households, Schweitzer said in a telephone interview with *Merchandising*. The only data available now is comprised of two time studies that focus on changes that occur in a household when a new appliance is acquired, the association reported. Both studies are old.

"What's needed is precise data on time savings," Schweitzer said. "We have major research firms coming back to us soon with reports on what type of numbers are needed." The AHAM executive board planned to meet in December to approve a budget for the task.

"We will have to look at the data once it comes in to see what value it will have to the retailer," he said. "We seek to establish a higher image with the public and financial community. We want to promote the industry as a whole."

Merchandising's box scores
(Key shipment gains reported by leading industry trade associations)

	Units Shipped		Percent Change	
	Nov. 1985	Jan.-Nov. 1985	Nov. '85 vs. '84	Jan.-Nov. '85 vs. '84
ELECTRONICS				
Color TV's[1]	1,672,304	+ 8.5%	14,874,951	+ 4.3%
Projection TV's[1]	32,131	+ 58.1	220,403	+ 32.1
Home VCR's[1]	1,349,909	+ 67.7	9,908,690	+ 56.7
MAJOR APPLIANCES				
Microwaves[2]	1,276,200	[illegible]	10,011,800	+ 22.4
Home Laundry[2]	745,400	[illegible]	8,489,900	+ 4.7
	October 1985	Jan.-Oct. 1985	October '85 vs. '84	Jan.-Oct. '85 vs. '84
Free Standing Ranges[3]	164,900	na	1,328,400	na
Drop-In Ranges[3]	3,700	na	30,600	na

Sources: [1]Electronic Industries Association
[2]Association of Home Appliance Manufacturers
[3]Gas Appliance Manufacturers Association
na = not available for 1984

CES products start on page 24

Blank tape sales may total 340 million units in 1986

By Lee Rath, editor/assoc. pub.

NEW YORK—Driven by record sales of hardware, business is booming in the videotape industry. Some 340 million blank cassettes are expected to be sold in the U.S. this year along with 70 million prerecorded tapes.

In addition, sales of accessories—everything from cables to lenses to character generators—are driving the market to new heights.

Still, there are problems. Profits in blank cassettes are far from what they could be. And the prerecorded tape business appears to be reaching a crossroads that could pit sales versus rentals, specialty store versus mass merchant.

Such is the state of the industry as reported by members of the International Tape/Disc Association (ITA) at the organization's recent New York seminar.

Tape sales soar

There will be 340 million blank videocassettes sold in the U.S. this year, up from the 182 million expected for 1985, reported Bob Burnett, marketing director, Magnetic Audio/Video Products div., 3M Co. That adds up to a $1.2 billion retail market, one that will double by 1990 when VCR penetration could reach 72 percent of all homes.

Demographics will continue to shift as younger buyers, more women and households with lower incomes enter the market. Also, "Distribution continues to skew towards the mass merchant, which already has about half," said Burnett.

High-grade tape, which will account for about 15 percent of the market this year, could climb to 25 to 30 percent by 1986/'87.

Nevertheless, all is not well in videotape. "We have," said Burnett, "concentrated sales with a handful of retailers who use the tapes to build traffic." And, in doing so, the industry has "walked away from hundreds of millions of dollars in profits."

"We need merchandising aids, promotions—marketing," he said. "We've got to convince consumers to pay more for a better product. Let's put the fun—and the profit—back in this business."

As for audiotape, the 3M exec said stable, single-digit growth has continued for the past two years as personal electronics products, such as the boombox and personal portable, "bestowed the kiss of life on the audiocassette."

Prerecorded takes off

Some 70 million prerecorded videocassettes could be sold into the market in 1986, compared with the 45 to 50 million reported last year, said Nick Santrizos, president of Thorn EMI/HBO Video, Inc. And that means $1.5 billion wholesale, or double last year.

Some 75 percent of those tapes end up being rented by the more than 20,000 specialty stores now in business, a number that could climb to 30,000 before a shakeout hits, Santrizos said.

That shakeout, he added, could be predicted by mass merchants joining the business in force, and selling rather than renting.

Only two out of six households now buy videotapes, but renters can be converted into buyers, Santrizos said. However, he warned, "Price alone is not a marketing strategy."

He also noted that retailers are finding it increasingly hard to deal with the 450 to 600 new titles that hit the market monthly, not to mention the 40,000 different offerings already available.

"It wreaks havoc with the open-to-buy," he said. And it creates the situation where brokers can buy used titles "by the pound," and use them to set up new stores. "We've got to find some way to sop up the extra product that's floating around out there."

Issues warning

One further note of caution issued by Santrizos concerned pay-per-view programming, which he said is hanging over the industry like the sword of Damocles. It could, he said, hurt rentals of blockbuster titles.

On the duplicating side, the industry is working to reduce costs so that tapes can be sold for less, noted David Rubenstein, vice president of VCA/Technicolor, Inc. "If the right deal can be struck," tremendous sales could result at the mass merchant level, he said.

Projections are that 70 million tapes will be duplicated this year. And since the industry's capacity is 90 million units, there should be no shortages.

U.S. factory sales of prerecorded videocassettes

	Millions of units
1981	5
1982	5
1983	10
1984	22-25
1985	45-50
1986	70

Source: Thorn EMI/HBO Video

U.S. sales of blank videocassettes

	Millions of units		
	1980	1985	1990
Beta	4.75	40.5	37.0
VHS	9.7	140.0	271.0
Eight mm	—	1.0	32.0

Source: 3M

The video accessories market will soon be a multi-billion-dollar business on its own, Edward Boschetti, division vice president and general manager, RCA Distributor and Special Products division, told the audience.

Today, even the basic TV buyer soon finds he needs cables and adaptors. And soon, he may be in the market for splitters, switchers and amplifiers.

If that person opts for a VCR and perhaps a camera or camcorder, batteries, tripods, lenses, microphones, carrying cases and more all come into play.

Looking to the future, Boschetti predicted, "Viewers will want to distribute signals from cable and satellite sources throughout their homes from just one input. The natural corollary to this would be a centralized videotaping capability, making it possible to record at the slightest whim, from anywhere in the home network."

"And to keep all this gear on track, there'll be a need for a universal type of remote control, integrating all communications and video systems as well as electronic appliances in the home," he added. "The end result, of course, will be even more opportunities for increased use of videotape.

"By 1988, we feel that accessory sales will grow to at least $1.4 billion with another $2 billion in tape, for a total of $3.4 billion."

Vendors and dealers disagree on trade issue in electronics

continued from page 36

designed to be outside the political arena and its function is to litigate rather than politicize trade disputes. There has been, he said, a "drastic transformation" of work in the U.S. and it is spilling over into the trade issue politics.

"We are now seeing political controls on the sale of goods and merchandise," according to Ervin.

Lines are drawn

For many industries, the trade issue has been divisive as manufacturers and retailers line up on different sides, a situation particularly true in the case of consumer electronics. This is partially attributable to the fact that Japan, the source of many of these products, has been the focus of so much publicity on the trade imbalance question.

The Electronic Industries Association (EIA) opposes most protectionist initiatives, despite the fact that some of its members are being hurt by imports.

"We support free and fair trade," said Thomas Patton, the EIA's executive director of legislative affairs. "We are not a protectionist supporting organization. We are not in favor of just throwing up trade barriers. We think we should be tougher trading partners and get our trading partners to take down their barriers."

Forcing trading partners to play by existing rules is the approach favored by most retailers. The Association of General Merchandise Chains (AGMC) has been in the forefront of efforts to head off protectionist legislation.

"We welcome the President's commitment to make our trading partners play by the rules," declared AGMC president Edward Borda. "Resolving to end unfair trade practices is completely consistent with a continued commitment to maintaining free trade."

The continued interest in trade may last well beyond the current months. It is a sure bet to be one of the hot issues in next year's election. Until the scales of the trade balance tip back a little in the U.S.'s favor and the budget deficit is reduced, it will remain a major concern for both Congress and the President.

Video & Audio CES products start on page 45

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

	TITLE	Last month's position	Months on chart
1.	**Beverly Hills Cop** *(Paramount)* P	2	2
2.	**Ghostbusters** *(RCA/Columbia)* I	1	2
3.	**Gremlins** *(Warner)* P	—	1
4.	**Emerald Forest** *(Embassy)*	—	1
5.	**Brewster's Millions** *(MCA)* P	17	2
6.	**Code of Silence** *(Thorn EMI/HBO)* P	—	1
7.	**Ladyhawke** *(Warner)* P	9	2
8.	**The Breakfast Club** *(MCA)* P	3	3
9.	**Vision Quest** *(Warner)*	—	1
10.	**A View To A Kill** *(CBS/Fox)*	—	1
11.	**Amadeus** *(Thorn EMI/HBO)* P	4	3
12.	**Perfect** *(RCA/Columbia)*	—	1
13.	**Police Academy II** *(Warner)* P	6	3
14.	**Fletch** *(MCA)* P	—	1
15.	**Lost In America** *(Warner)*	—	1
16.	**Missing In Action II** *(MGM/UA)*	8	3
17.	**Baby: Secret of the Lost Legend** *(Touchstone)*	13	2
18.	**Pale Rider** *(Warner)*	—	1
19.	**Best Of John Belushi** *(Warner)*	—	1
20.	**The Karate Kid** *(RCA/Columbia)* P	15	7
21.	**The Killing Fields** *(Warner)* P	5	4
22.	**Secret Admirer** *(Thorn EMI/HBO)* P	11	2
23.	**Desperately Seeking Susan** *(Thorn EMI/HBO)*P	7	4
24.	**The Sure Thing** *(Embassy)* I	18	4
25.	**American Dreamer** *(CBS/Fox)*	—	2
26.	**Gotcha!** *(MCA)*	10	2
27.	**Just One of the Guys** *(RCA/Columbia)*	—	1
28.	**Nightmare on Elm Street** *(Media)*P	12	6
29.	**Moving Violations** *(CBS/Fox)*	27	2
30.	**Girls Just Want To Have Fun** *(New World)*	—	1

Top 10 in videocassette sales

1.	**Beverly Hills Cop** *(Paramount)* P	1	3
2.	**Pinocchio** *(Walt Disney)* I	5	5
3.	**White Christmas** *(Paramount)*	7	2
4.	**Jane Fonda's New Workout** *(Karl-Lorimar)* P	2	2
5.	**Mary Poppins** *(Walt Disney)* I	—	1
6.	**Gone With the Wind** *(MGM/UA)* P	—	8
7.	**Ghostbusters** *(RCA/Columbia)* I	4	2
8.	**Best of John Belushi** *(Warner)*	—	1
9.	**Madonna: Like a Virgin Tour** *(Warner)*	—	1
10.	**Wizard of Oz** *(MGM/UA)*	—	1

Top 5 in laserdisc sales

1.	**Ghostbusters** *(RCA/Columbia)* I	2	2
2.	**Beverly Hills Cop** *(Paramount)* P	—	1
3.	**Police Academy II** *(Warner)* P	—	1
4.	**Ladyhawke** *(Warner)* P	—	1
5.	**Gone With the Wind** *(MGM/UA)*	—	4

Top 5 in alternative programs

1.	**Jane Fonda's New Workout** *(Karl-Lorimar)* P	2	2
2.	**Jane Fonda's Workout** *(Karl-Lorimar)* P	1	15
3.	**Jane Fonda's Prime Time** *(Karl-Lorimar)* P	3	13
4.	**Madonna: Like a Virgin Tour** *(Warner)*	—	1
5.	**Do It Debbie's Way** *(Video Associates)*	—	8

I —Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)
P—Title has gone platinum—has sold 150,000 on disc and/or cassette and has sales of at least $6 million. (RIAA/Video)
G—Title has gone gold—has sold 75,000 on disc and/or cassette and has sales of at least $3 million. (RIAA/Video)
(For non-theatrical products, the RIAA certifies a Gold award for 30,000 units or a value of $1.2 million in suggested retail price. Platinum awards are given to tapes with 60,000 units or at least $2.4 million in suggested retail value.)

VIDEO/NEW RELEASES

CBS/FOX

THE MAN WITH ONE RED SHOE (1985) When CIA staffers spot violinist Richard Drew (Tom Hanks) coming out of an airplane wearing one red shoe, they think it means something funny is going on. They assign a tour guide (Lori Singer) to follow him, and Drew falls in love with her while trying to figure out why he's being shot at by two CIA agents. *Color 92 minutes PG VHS Hifi Beta Hifi C:$79.98 Closed captioned*

EMBASSY

THE LION IN WINTER (1968) Katherine Hepburn and Peter O'Toole star in this drama, set in the 12th century, about Henry II and Eleanor of Aquitaine. Each family member plots to choose a different successor to Henry, bringing out hidden hostilities and ambitions. *Color 136 minutes PG VHS Beta C:$39.95 LV:$34.95*

KARL-LORIMAR

MR. BOSTON OFFICIAL BARTENDER'S GUIDE (1985) Based on the book of the same name, the video gives step-by-step instructions on mixing more than 50 drinks. Bars and restaurants in six cities are used as locations. A "mixer trivia" quiz is included, as well as sections on setting up a bar and using garnishes. *Color 60 minutes VHS Beta C:$14.95*

MGM/UA

THE HUMAN COMEDY (1943) The story of a small-town family during World War II focuses on the teenage son Homer (Mickey Rooney). William Saroyan, who wrote the novel on which the film was based, won an Academy Award for best original story. *B/W 117 minutes VHS Hifi Beta Hifi C:$24.95*

PARAMOUNT

TEEN WOLF (1985) Teenager Scott Howard wishes that he were more than just an average guy, and he gets his wish by turning into a werewolf. Michael J. Fox is the star. *Color 92 minutes PG VHS Beta C:$79.95 LV: $29.95 Closed captioned.*

RKO

CYRANO DE BERGERAC The Royal Shakespeare Company's Broadway run of the play by Edmund Rostand won rave reviews last year. The video features the same cast members—Derek Jacobi as Cyrano and Sinead Cusack as Roxane. Terry Hands was the director. *Color 176 minutes VHS Beta $59.95*

TOUCHSTONE

MY SCIENCE PROJECT (1985) When high school senior Michael Harlan (John Stockwell) is given two weeks to do a science project in order to graduate, he creates a device that can propel people through time and space—and can also destroy them. The rock band The Tubes provides background music. Also starring Danielle von Zerneck as the love interest and Dennis Hopper as the ex-hippie science teacher. *Color 94 minutes PG VHS Beta C:$79.95*

VESTRON

PRIZZI'S HONOR (1985) This black comedy centers on the consequences of a romance between Mafia hit man Charlie Partanna (Jack Nicholson) and professional assassin Irene Walker (Kathleen Turner). Anjelica Huston, the daughter of director John Huston, plays Charlie's sluttish ex-girlfriend. John Randolph co-stars as Charlie's father. *Color 130 minutes R VHS Beta C:$79.95*

WARNER

MAD MAX BEYOND THUNDERDOME (1985) Mel Gibson returns in the sequel to The Road Warrior (which was a sequel to Mad Max). He clashes with the evil ruler of Bartertown, Aunty Entity (Tina Turner, in her acting debut), and other villians. Directed by George Miller and George Ogilvie. *Color 107 minutes PG-13 VHS Hifi stereo Beta Hifi stereo C:$79.95 LV:$34.98. Closed captioned*

Color newspaper inserts boost housewares sales

continued from page 1

past year—cutting back on individual ads and concentrating on FSI's.

According to statistics from the Newspaper Advertising Bureau, Inc. (NAB), FSI's had a circulation of 41.265 billion in 1984, representing a cumulative growth of 584.7 percent since their inception in 1970.

According to Pat Phavenot, NAB's vice president, retail, Northeast, inserts work well for retailers that do them on a regular basis. "The consumer has been trained to look for inserts—he expects them," she said. "When a customer is looking for a sale, he waits for an insert to come out and he keeps it until he's ready to buy."

Thalhimer's, the Richmond, VA-based department store, began using FSI's four years ago. "We started with one and last year we did 22," said John Frankovich, divisional merchandise manager. "Ours is a very competitive market, and we've had a sales growth of 25 percent over the past three years since we started using them."

Their glossy, four-color FSI's average 24 pages and are inserted in Sunday newspapers. Thalhimer's has 25 stores in four states, and Frankovich estimated the circulation of the inserts to be over 100 million.

"This format allows us to use themes," Frankovich explained. "For example, we recently did a book on tabletops and we showed a room setting that included related merchandise. We also mix value and better merchandise."

FSI's generate sales

FSI's have become the major form of advertising for Paysaver Catalog Showrooms, West Springfield, MA. "We drastically changed our advertising last year," said William Randall, housewares buyer. "We always did newspaper ads, and we will still do some, but our major thrust is now in newspaper inserts." Randall has found FSI's to generate more sales than individual ads. They're more effective," he noted, "and doing multiple pages at one time has more impact than a single ad."

Paysaver did six FSI's last year, and will increase the number to seven this year. Inserted in Sunday newspapers, the two-color inserts feature four-color covers and range in size from eight to 24 pages.

Randall said he will continue to do limited TV and direct mail advertising, but will increase the use of radio in conjunction with the FSI's.

Echoing the NAB's Phavenot, Randall said one reason FSI's are effective is because consumers save them. "They look at newspaper ads once, and throw the paper away, but they tend to hold on to inserts," he theorized.

FSI's have also helped boost sales for Burdine's Miami, FL, according to vice president Herbert A. Hilton. "Compared to ROP," he said, "inserts do much better. Since housewares is an area of emphasis for us, we will be backing this area extensively with inserts. In fact, we have accelerated our promotions for 1986."

Burdine's four-color inserts range in size from 16 to 32 pages, and are inserted in newspapers approximately 2½ times a month. The FSI's are supplemented by 450 to 750,000 mailers sent to the store's charge customers.

At T G & Y, Oklahoma City, OK, FSI's have become the most important advertising vehicle. "We still do Dollar Days and seasonal ads, but we concentrate on inserts," said housewares and giftware buyer Bob Grossman. This discounter does 52 FSI's a year—one each Sunday.

Because FSI's allow more space for photography and product description, retailers can carry out a variety of themes. Grossman said, "It gives us the opportunity to do concept ads. We tie in related items to get a total effect. For example, a closet ad will feature a room setting with coordinating merchandise. We do the same with tabletops, and add accessories and related items. It helps boost sales."

THEMES HELP SELL housewares. At left is Thalhimer's tabletop catalog. Newspapers are introducing style sections, like the Bergen County Record (NJ), right, to encourage housewares advertising.

Products more visible

Several retailers said FSI's also provide greater product visibility than an ad because consumers may not look at every page in a newspaper and could miss an ad. But FSI's stand out in the newspaper.

As the amount of FSI's increase, competing retailers will use more creativity in their inserts, predicted NAB's Phavenot. "They will use heavier stock and better color," she said.

She also noted a trend toward image advertising in FSI's. "Last year's advertising was so promotional, it turned the consumer off," she claimed. "Retailers will begin to use the inserts to create image and establish the store as an authority in the marketplace. Newspaper ads will then back up the inserts."

Don Taylor, housewares buyer for Click Discount Stores, Akron, OH, uses inserts to "promote our image as having the lowest price and the best service."

The popularity of FSI's seems to be a catalyst for the improvement in traditional newspaper advertising. According to Phavenot, newspaper ads are becoming more creative in response to the competition they're getting from inserts.

"Because of the proliferation of inserts, it has caused people to think of newspaper advertising in a different way," she explained.

"For example," she continued, "most newspapers are doing more home entertainment and style sections, featuring more editorial coverage and better color capabilities, because they're aware they must make the editorial environment more conducive to housewares advertising. Likewise, retailers are realizing they should be placing ads in an environment conducive to selling. We are therefore seeing more full page ads and blockbuster pages that dominate the newspaper. Ads are featuring big, bold headlines, better graphics, more illustrations, heavier stock and a more sophisticated use of color."

Despite retailers' enthusiasm over the effectiveness of FSI's, Phavenot warned, "One school of thought on inserts theorizes that FSI's have peaked, and retailers will go back to the traditional form of advertising."

While most retailers might dispute this prediction, the competition between single page ads and inserts can only benefit the housewares retailer, as each area introduces more creative approaches to advertising.

Volume of inserts in Sunday/daily newspapers

	Free-standing inserts (circulation in billions)	Percentage of growth Annually	Cumulatively
1970	7.057	—	100.0
1975	15.800	2.8	223.9
1980	27.733	2.2	393.0
1981	28.708	3.5	406.8
1982	29.966	4.4	424.6
1983	35.727	19.2	506.3
1984	41.265	15.5	584.7

*Based on a 12-page tabloid and includes printing and inserting. A ratio of 55 percent printing and 45 percent inserting has been used. Years prior to 1982 have used a 50/50 ratio.

Source: Newspaper Advertising Bureau, Inc.

MULTIPLE PAGES IMPACT more on customers. Paysaver Catalog Showrooms is upping its catalogs (left) to seven this year. The Denver (right) does blockbuster pages to attract the customers' attention.

C40004

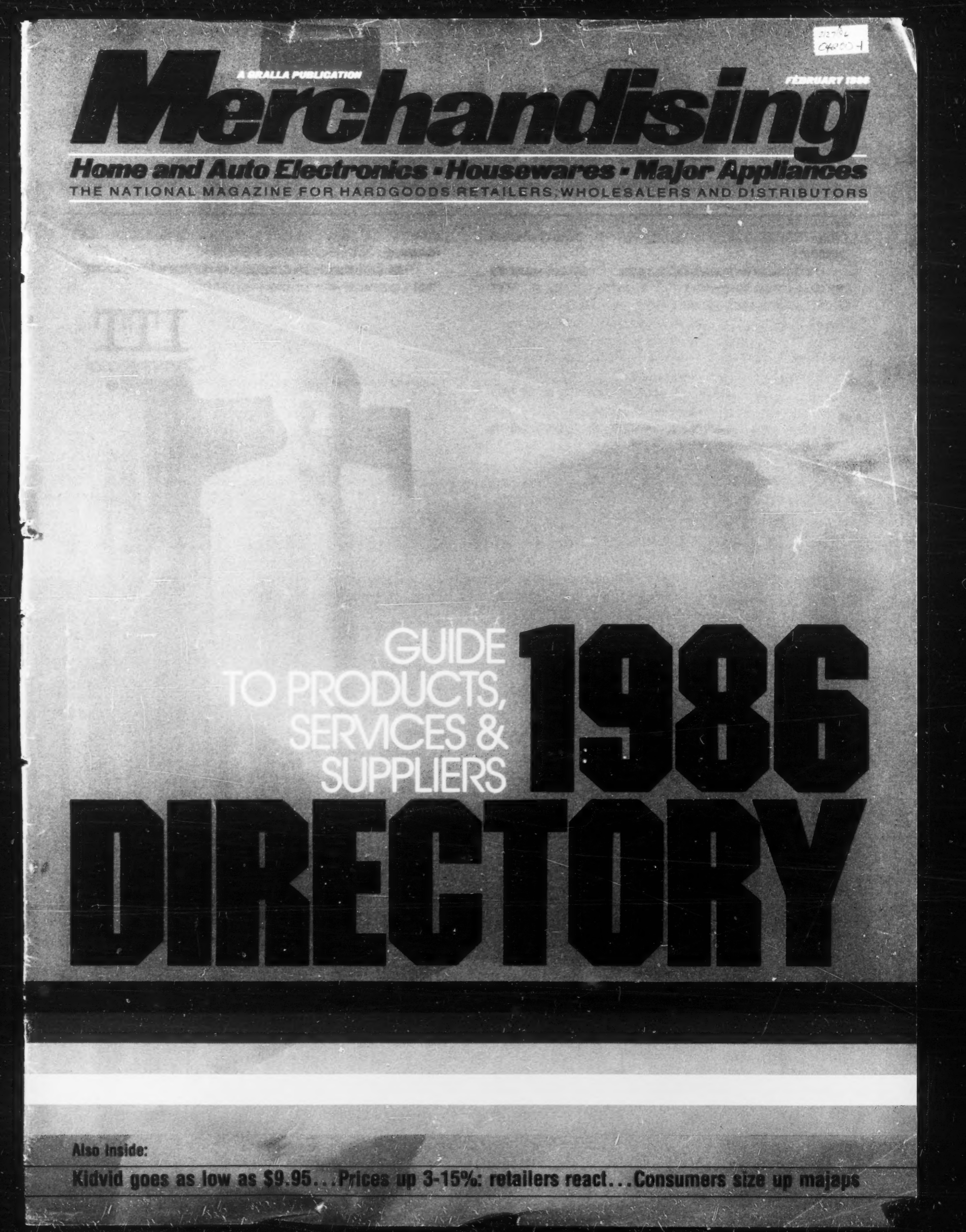
A GRALLA PUBLICATION

FEBRUARY 1986

Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS



GUIDE TO PRODUCTS, SERVICES & SUPPLIERS

1986 DIRECTORY

Also Inside:

Kidvid goes as low as $9.95...Prices up 3-15%: retailers react...Consumers size up majaps

A GRALLA PUBLICATION

Merchandising

FEBRUARY 1986

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

ELECTRONICS

Dealers greet price hikes with cheers and jeers

By Cheryl Proval, editor

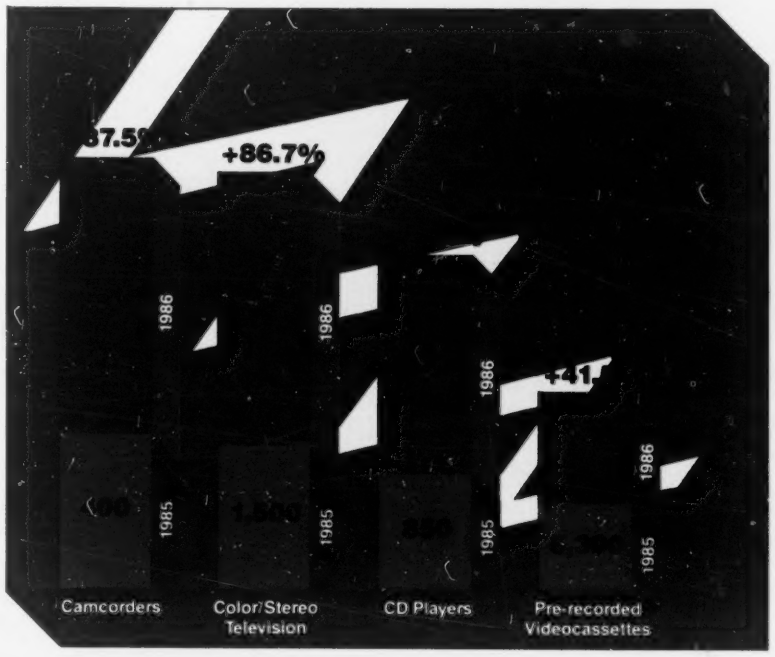
LAS VEGAS—Sometimes they had to look beyond a veneer of added features to find the price increases, but retailers met the promised hikes of 3%-15% in video and audio (see page 16 for summation) with mixed emotions, as they shopped the Winter Consumer Electronics Show.

On the one hand, dealers welcomed the prospect of better margins. But small- and medium-size retailers in competitive markets worried that they would be driven further behind the eight ball on the issue of profitability.

With inventories low, retailers circled the show floor attempting to restock as well as reshuffle their commitments to suppliers. Everyone sought the elusive low-end, name brand, leader VCRs, a category that all but disappeared as 1985 came to a close.

In situations where the retailer felt he could not pass a manufacturer's price increases onto the consumer, that dealer often asked for more co-op dealer advertising, extended terms, better pricing on smaller quantities, more promo-

continued on page 16



1986's BIGGEST GROWTH categories are expected to be led by camcorders, with sales to dealers jumping 87.5 percent to 750,000 units this year. Also look for more activity in color/stereo television, with projected sales to dealers at 2,800,000, representing an 86.7 percent jump. CD players and pre-recorded videocassettes will also be hot properties.

HOUSEWARES

Do disposables pose new threat to retailers?

By Nancy Markov, field editor

CHICAGO—Already up against a lot of competition, microwave cookware dealers could find the going getting even tougher. New product entries in the "disposable" category give outlets such as supermarkets and drug chains a good reason to enter this business.

Disposables are becoming a strong category as today's average consumer spends less on cookware, and microwave oven prices drop—many to $100.

Microwave usage outside the home is also growing, increasing the demand for disposables. This type of cookware makes sense for college students and office workers.

Are suppliers afraid that the sales of low-end sku's could cut into their traditional microwave cookware business? Not right now. They insist that repeat sales of the disposable-type products will create additional volume. The product is perfect, they say, for the recipe made only

continued on page 26

APPLIANCES

Price, practicality and brands move suburbanites to buy majaps

By Nancy Markov, field editor

HIGHLAND PARK, IL—What's important to a major appliance consumer? Price, brands and the freedom to "shop" without a salesman at her elbow—until she's ready for one.

She doesn't read ads. But brand name is demanded. So is a strong store reputation—in case something goes wrong. She sometimes checks warranties but thinks service contracts are a waste of money.

Recently, *Merchandising* met with five consumers from the suburbs of Chicago. At a time when there is much talk of today's consumer trading up, their answers were, in some cases, surprising.

The consumers, all Chicago area residents, were women who had been married an average of 25 years, with three to five children. Participants included Nuna Rossi, Ellie Pagano, Mary Schager, Rae Fritz and Millie DeCroocq.

Merch: What would you do if one of your appliances broke down? Would you shop several stores before purchasing a new one?

ROSSI: "My dryer broke last week. I wanted to replace it with exactly what I had—a Maytag. I had a Maytag for 25 years and it never broke. I could have had it repaired but the job would have cost over $150 and it really wasn't worth it to put so much money into an old appliance.

"But I didn't want to pay full price. So I went to V.J. Killian Plumbing Co. and told them that I wanted to buy a dryer. But I asked why I should pay full price when I could go to Polk Brothers and get a discount. I got the discount from Killian and by 3 p.m. that afternoon I had a new dryer.

"Killian didn't discount the price too much, but he made me happy that I didn't pay full price. I have done business with his store for 18 years."

PAGANO: "If one of my appliances broke down, I would first

continued on page 32

CES

Congress won't act on proposed audio royalty tax, according to panel of congressmen. For WCES coverage, turn to pages 15 to 20.

Video software section
Kidvid pricing down
Video buying tips
see page 21

OPERATIONS

Insurance outlook darkens due to intro of two new commercial formats

By Nancy Lang, operations editor

NEW YORK CITY—As premiums skyrocket and coverage gets harder to find, the insurance industry has imposed two drastic changes which could make the situation even worse.

The first change could result in coverage gaps if an insured changes companies. The second change could leave the insured with no coverage at all if he exhausts his limits before the end of the policy period. In both cases, the retailer is the loser.

The new commercial general liability (CGL) formats, which went into effect January 1 in 14 states, represent the insurance industry's efforts to recoup record-breaking

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Merchandising
FOR OVER 56,200 RETAILERS & WHOLESALERS

February 1986 / Vol. 11, No. 2 / Our 79th Year

12 PERSONAL ELECTRONICS

Dealers sound off on home computer's future

While retailers are not enthusiastic about the market, they do show great interest in software and peripherals, particularly the spiffy new color monitors and the range of available modems.

15 VIDEO & AUDIO

Will CD players rejuvenate audio rack system margins?

Competition in the rack system business is causing dealers to look at the compact disc player as a winning way to raise profit margins.

21 SPECIAL VIDEO SECTION

Kidvid pricing plummets; vendors recognize key to sell through

Many suppliers are bowing to retailer pressure to drop prices on children's product. Rock-bottom prices, however, will not necessarily translate into increased sales.

26 HOUSEWARES

Ads and promos help Caldor hit home healthcare jackpot

A stepped-up promotional program and a switch from newspaper advertising to color circulars has helped this mass merchant sell healthcare products.

30 MAJOR APPLIANCES

Best Buy shares strategies for profit-making, expansion

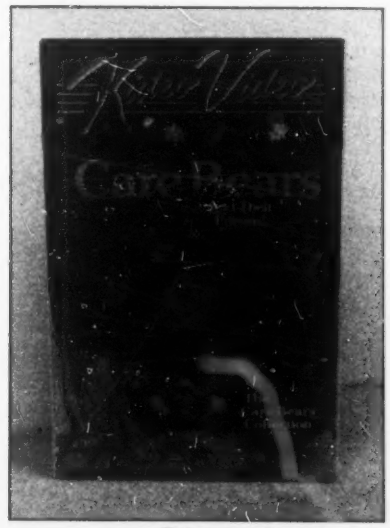
In 1985, the 12-store chain added four superstores and grossed $56 million, doubling its sales volume. The company's president shares some secrets for success.

36 STORE OPERATIONS

Computers can play key role in cutting advertising costs

How do you choose which of your ads are effective? By using a computer, you can pinpoint the answers, say retailers who spoke at a CES seminar.

What will determine the PC's future? Vendors say hardware, dealers say software.



Prices are dropping on "kidvid"—suppliers say sales depend on it.

Blood Pressure Machine
3999
REG. $9.99
Save $20. With digital readout and microphone-less cuff. Detect high blood pressure easily. From Norelco. #HC3001

Ads like this one help Caldor succeed with blood pressure monitors.

DEPARTMENTS

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TADS skew towards male

MOUNTAIN LAKES, NJ—Telephone answering devices (TADs) are becoming even more of a man's product.

That's the inference that can be drawn from the results of Mobile Communications Update 1985, a study conducted by Solomon-Wolff Associates, Inc.

Male buyers represented 59 percent of TAD purchasers in '85, compared to 56 percent in '84. Female buyers accounted for 41 percent of buyers in '85 vs. 44 percent in '84.

This has important implications for the retailer because the shopping patterns and types of retailer patronized by men and women differ.

Electronics stores are the type of outlet shopped most frequently by both men and women, but this type of retailer accounts for less than one-third of all TAD sales. (31.9 percent of all male TAD customers bought the devices in electronic stores in '85, as did 31.7 percent of the female purchasers of TADs.)

Four other outlets—department stores, catalog showrooms, phone stores and office supply stores—are shopped more frequently by males. As a group they account for 39 percent of all TAD unit sales, but 44 percent of sales to men [*see chart*].

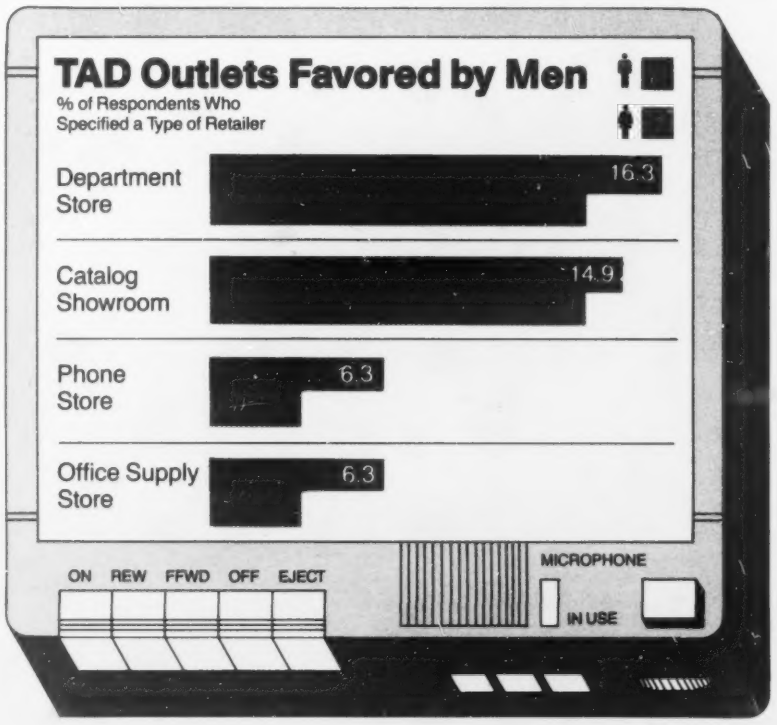
If men continue to account for more sales than women, these types of outlets can expect greater TAD sales than discount stores or mail order catalogs. Females shop those outlets more frequently than men. (22.5 percent of all female TAD customers bought their machines at discount stores in 1985, vs. 19.8 percent of all male customers, and 12.1 percent of the female TAD market purchased through mail order catalogs, vs. only 4.5 percent of all male buyers.) These types of outlets account for 29 percent of overall TAD sales, but almost 35 percent of TAD sales to women.

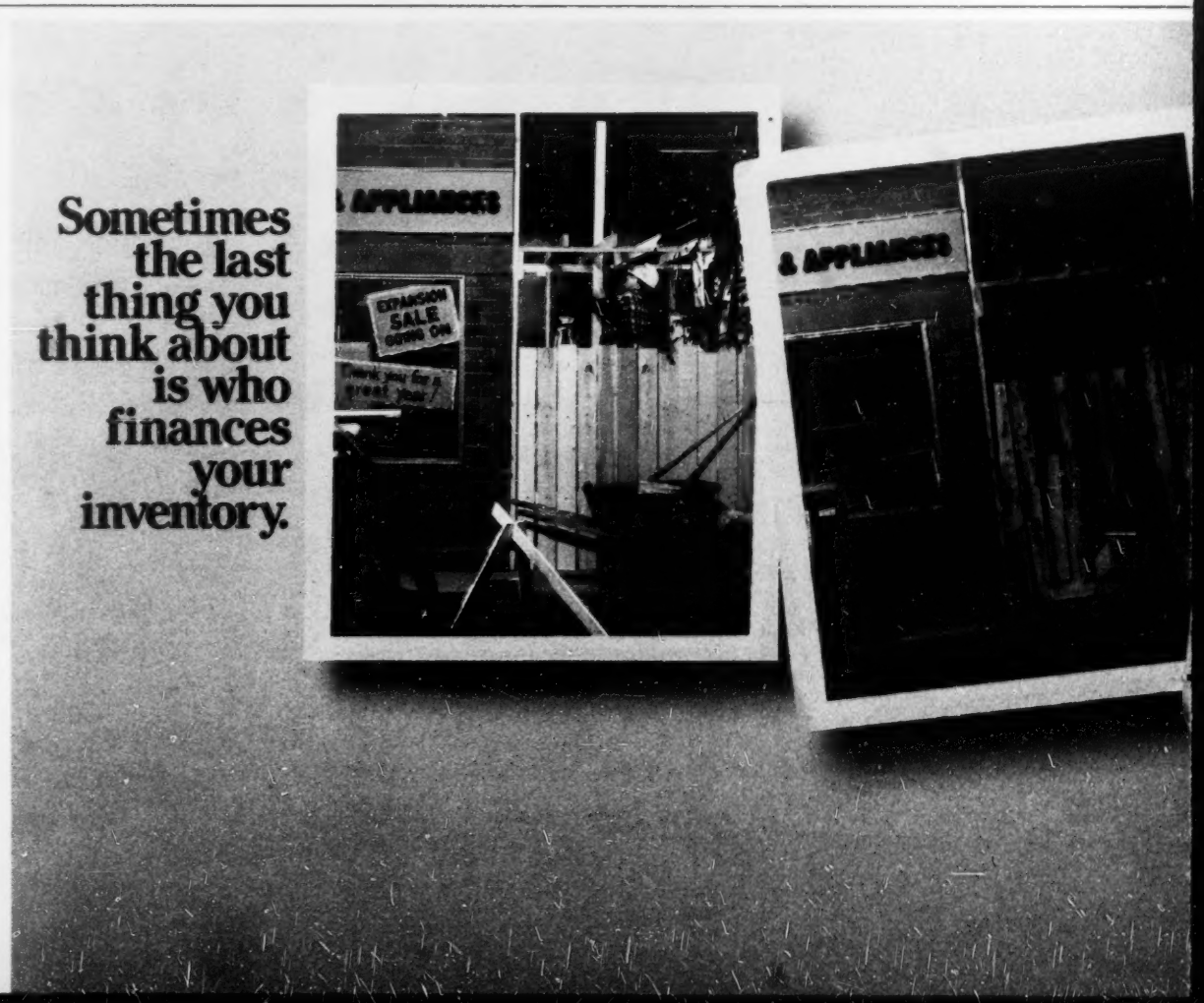
What's needed to boost sales of TADs to women? More friendly technology, according to Warren Marr, senior vice president of Record a Call.

"One-touch recording is good for the female market because women are often more intimidated by technology than men," Marr said.

Sample size of TAD owners was 2,700 nationally.

Price for the entire Mobile Communications Update 1985 is $4,900. Contact Douglas Solomon, managing director, 165 Laurel Rd., Mountain Lakes, NJ 07046.

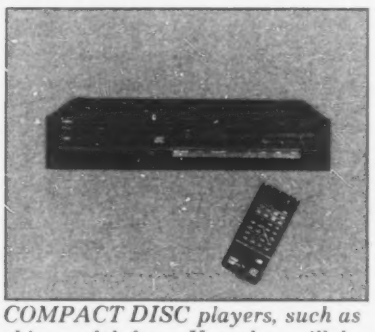




Camcorders top EIA growth list

LAS VEGAS—1986 should be a year of rather modest growth in most consumer electronics categories. Only a few products are really expected to show dynamic growth: camcorders, stereo TV's, prerecorded video and CD players *(see cover chart)*.

So reported the Electronic Industries Association/Consumer Electronics Group in its projected 1985 and estimated 1986 sales to dealers in the U.S.



COMPACT DISC players, such as this model from Yamaha, will be among the three big growth categories for 1986.

Other growth categories include projection TV, which is projected to increase from 260,000 to 320,000 sell-ins in '86. Table model VCR sales should increase to 11,300, up from 10,750 units. (Total VCR sales for '86 should hit 12.5 million.)

One-brand component systems, including rack systems, should increase in unit sales from 1,600,000 in '85 to 1,700,000 in '86. Total audio component and compact systems will hang on with 3,200,000 in sales to dealers.

Home computer software should see notable growth in '86, with unit sales up to 65,000,000 from '85's 50,000,000. And satellite earth station systems should hit the 700,000 mark this year, up from 600,000 in '85.

Projected sales of residential gas ranges

	1984 Actual	1985 Industry Consensus	1986 Industry Consensus	Percent Change 1985-86
Free-standing, Slide-In,	1,535,900	1,539,400	1,555,800	+ 1.1
Drop-In	—	36,000	35,400	– 1.7
Over/Under	90,500	82,400	82,200	– 0.2
Built-In Ovens	105,700	100,300	100,300	—
Total	**1,732,100**	**1,758,100**	**1,773,700**	**+ 0.9**

Source: Gas Appliance Manufacturers Association (GAMA)

MERCHANDISING'S Box Scores

Key shipment gains reported by leading industry associations

	Units Shipped December '85	Units Shipped Jan.-Dec. '85	Percent Change December '85 vs. '84	Percent Change Jan-Dec. '85 vs. '84
ELECTRONICS				
Color TV's[1]	1,953,780	16,828,731	+ 7.0%	+ 4.6%
Projection TV's[1]	40,553	260,953	+ 43.3	+ 33.7
Home VCR's[1]	1,768,556	11,677,446	+ 36.7	+ 53.3
MAJOR APPLIANCES				
Home Laundry[2]	702,200	9,192,100	+ 12.4	+ 5.3

	November 1985	Jan.-Nov. 1985	November '85 vs. '84	Jan.-Nov. '85 vs. '84
Free Standing Ranges[3]	143,700	1,472,100	na	na
Drop-In Ranges[3]	2,700	33,300	na	na

Sources: [1]Electronic Industries Association
[2]Association of Home Appliance Manufacturers
[3]Gas Appliance Manufacturers Association
na = not available

Clock consumers look for fashion

SKOKIE, IL—Styling is the most important factor in the purchase of a wall clock, according to a study by Spartus Corp.

"Consumers are more fashion conscious these days," said Spartus president Bob Mariani. "Today's fashion trends dictate more frequent changes for most models.

"For example, eight years ago, fewer wood clocks were sold than today. Now, wood clocks are a growth area.

"This is not to say that the clock business is becoming as trendy as the apparel business," he said.

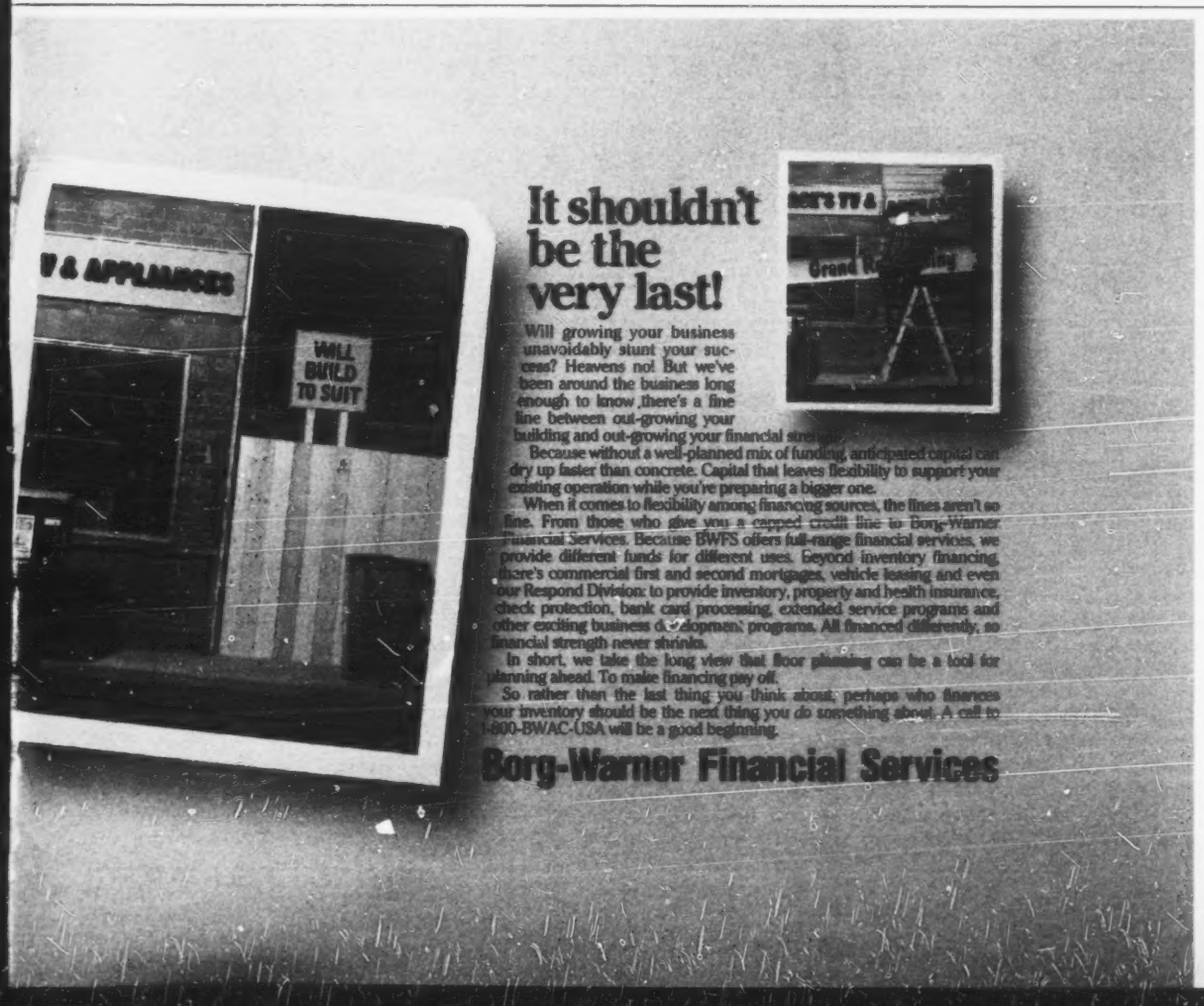
Other findings from the research that involved consumer panels and more than 1,000 individual interviews nationally:

- Styling is followed in importance by product quality, price and brand name.
- At least 25 percent of all wall clocks are purchased as gifts.
- The majority of wall clocks are purchased by women between the ages of 25 and 54.

Correction

In the January's *Merchandising's* Box Scores, two columns of figures were inadvertently switched. The correct figures for the column marked Units Shipped Jan.-Nov. 1985 appear in the column marked Percent Change Nov. '85 vs. '84. The correct figures for the column marked Percent Change Nov. '85 vs. '84 appear in the column marked Units Shipped Jan.-Nov. 1985.

The same holds true for the October shipment information that appears courtesy of GAMA. *Merchandising* regrets the error.


WILL BUILD TO SUIT
It shouldn't be the very last!
Will growing your business unavoidably stunt your success? Heavens no! But we've been around the business long enough to know there's a fine line between out-growing your building and out-growing your financial structure.
Because without a well-planned mix of funding, anticipated capital can dry up faster than concrete. Capital that leaves flexibility to support your existing operation while you're preparing a bigger one.
When it comes to flexibility among financing sources, the lines aren't so fine. From those who give you a capped credit line to Borg-Warner Financial Services. Because BWFS offers full-range financial services, we provide different funds for different uses. Beyond inventory financing, there's commercial first and second mortgages, vehicle leasing and even our Respond Division: to provide inventory, property and health insurance, check protection, bank card processing, extended service programs and other exciting business development programs. All financed differently, so financial strength never shrinks.
In short, we take the long view that floor planning can be a tool for planning ahead. To make financing pay off.
So rather than the last thing you think about, perhaps who finances your inventory should be the next thing you do something about. A call to 1-800-BWAC-USA will be a good beginning.
Borg-Warner Financial Services

Merchandising's TOP 50 FIFTY

Top 30 in videocassette rentals

TITLE	Last month's position	Months on chart
1. **Beverly Hills Cop** *(Paramount)* P	1	3
2. **Gremlins** *(Warner)* P	3	2
3. **Ghostbusters** *(RCA/Columbia)* I	2	3
4. **A View To A Kill** *(CBS/Fox)*	10	2
5. **Code of Silence** *(Thorn EMI/HBO)* P	6	2
6. **Fletch** *(MCA)* P	14	2
7. **Emerald Forest** *(Embassy)*	4	2
8. **Pale Rider** *(Warner)*	18	2
9. **The Breakfast Club** *(MCA)* P	8	4
10. **Brewster's Millions** *(MCA)* P	5	3
11. **Amadeus** *(Thorn EMI/HBO)*	11	4
12. **Perfect** *(RCA/Columbia)*	12	2
13. **Vision Quest** *(Warner)*	9	2
14. **Ladyhawke** *(Warner)* P	7	3
15. **Police Academy II** *(Warner)* P	13	4
16. **Gotcha!** *(MCA)*	26	3
17. **D.A.R.Y.L.** *(Paramount)*	—	1
18. **Baby: Secret of the Lost Legend** *(Touchstone)*	17	3
19. **Best Of John Belushi** *(Warner)*	19	2
20. **Prizzi's Honor** *(Vestron)* P	—	1
21. **Secret Admirer** *(Thorn EMI/HBO)* P	22	3
22. **Life Force** *(Vestron)*	—	1
23. **The Killing Fields** *(Warner)*P	21	5
24. **Explorers** *(Paramount)*	—	1
25. **Mask** *(MCA)*	—	1
26. **Lost in America** *(Warner)*	15	2
27. **Desperately Seeking Susan** *(Thorn EMI/HBO)* P	23	5
28. **Just One of the Guys** *(RCA/Columbia)*	27	2
29. **The Heavenly Kid** *(Thorn EMI/HBO)*	—	1
30. **Gone With The Wind** *(MGM/UA)*	—	4

Top 10 in videocassette sales

1. **Beverly Hills Cop** *(Paramount)* P	1	4
2. **Pinocchio** *(Walt Disney)* I	2	6
3. **White Christmas** *(Paramount)*	3	3
4. **Best of John Belushi** *(Warner)*	8	2
5. **Dumbo** *(Walt Disney)*	—	3
6. **Gone With the Wind** *(MGM/UA)* P	6	9
7. **Wizard of Oz** *(MGM/UA)*	10	2
8. **Ghostbusters** *(RCA/Columbia)* I	7	3
9. **Walt Disney's Comedy & Magic Revue** *(Walt Disney)*	—	1
10. **Jane Fonda's New Workout** *(Karl-Lorimar)* P	4	3

Top 5 in laserdisc sales

1. **Ghostbusters** *(RCA/Columbia)* I	1	3
2. **Beverly Hills Cop** *(Paramount)* P	2	2
3. **A View To A Kill** *(CBS/Fox)*	—	1
4. **Star Trek III: The Search For Spock** *(Paramount)*	—	5
5. **Police Academy II** *(Warner)* P	3	2

Top 5 in alternative programs

1. **Jane Fonda's New Workout** *(Karl-Lorimar)* P	1	3
2. **Jane Fonda's Workout** *(Karl-Lorimar)* P	2	16
3. **Jane Fonda's Prime Time** *(Karl-Lorimar)* P	3	14
4. **Do It Debbie's Way** *(Video Associates)*	5	9
5. **Motown 25: Yesterday, Today, Forever** *(MGM/UA)*	—	1

I —Golden Videocassettes award—has audited return of sales or rentals of $1 million unless company has a return policy. Then, the allowance must be deducted from the gross revenue. (ITA)
P —Title has gone platinum—has sold 150,000 on disc and/or cassette and has sales of at least $6 million. (RIAA/Video)
G—Title has gone gold—has sold 75,000 on disc and/or cassette and has sales of at least $3 million. (RIAA/Video)
(For non-theatrical products, the RIAA certifies a Gold award for 30,000 units or a value of $1.2 million in suggested retail price. Platinum awards are given to tapes with 60,000 units or at least $2.4 million in suggested retail value.)

VIDEO/NEW RELEASES

CBS/FOX

RETURN OF THE JEDI (1983) The denouement of the Star Wars trilogy features the well-loved characters Luke Skywalker (Mark Hamill), Princess Leia (Carrie Fisher) and Han Solo (Harrison Ford). This movie wraps up the plot begun in Star Wars and carried through in the Empire Strikes Back. In a showcase of special effects, viewers are also introduced to the obese Jabba the Hutt and the cloyingly cute Ewoks. Written by George Lucas and directed by Richard Marquand. *Color PG 132 minutes VHS Hifi stereo Beta Hifi stereo C: $79.98 Closed-captioned.*

EMBASSY

THE DAY OF THE DOLPHIN (1972) George C. Scott stars as a marine biologist whose success in teaching a dolphin to talk leads to a snare of intrigue and subterfuge. The result is a classic battle against an unthinking Establishment. Also starring Trish Van Devere. Scripted by Buck Henry from Robert Merle's novel and directed by Mike Nichols. *Color PG 104 minutes VHS Hifi mono Beta Hifi mono C: $39.95.*

KEY

KEY EXCHANGE (1985) This romantic comedy follows the ups and downs of a New York "yuppie" couple, Lisa and Philip. The two lovers (played by Brooke Adams and Ben Masters, recreating their roles in Kevin Wade's off-Broadway hit), make the committment of exchanging keys to their apartments. Shot on location in New York City and set against a background of bicycle riding and racing, Key Exchange has some interesting thoughts on modern romance. It also marks the feature film debut of Emmy award winning director Barnet Kellman and features performances by Daniel Stern, Danny Aiello and Tony Roberts. Available Feb. 18. *Color R 96 minutes VHS stereo Hifi Beta Hifi C: $79.98. Closed-captioned.*

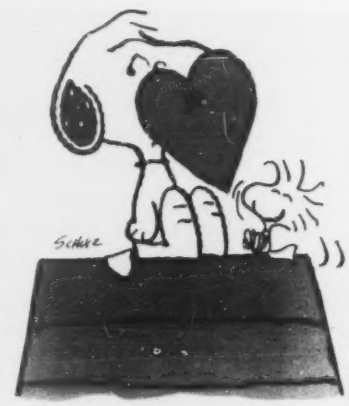
MERIDIAN

YOUR NEWBORN BABY (1985) Designed to answer questions and calm fears, this hour-long educational cassette features Joan Lunden, co-host of ABC's Good Morning America and Dr. Jeffrey L. Brown, F.A.A.P. Consisting of eleven "chapters," viewers are guided through pre-natal decision-making to post-natal babycare. Written by Sue Castle and directed by Todd Ken-Reed. Available Feb. 18. *Color 60 minutes VHS Beta C: $39.95.*

SONY

JOHN LENNON LIVE IN NEW YORK CITY (1985) This is a previously unissued videotape of the only fully rehearsed public concert John Lennon performed between the Beatles' 1966 American tour and his death in 1980. Lennon took to the stage at Madison Square Garden for a benefit show organized by Geraldo Rivera and the result is a lively performance from one of rock and roll's true legends. Features digitally mastered sound. *Color 60 minutes VHS Hifi stereo Beta Hifi stereo 8mm C: $29.95.*

MEDIA



BE MY VALENTINE, CHARLIE BROWN (1975) The course of true love runs amok in this animated Peanuts special. Lucy wants a card from Schroeder, who only has eyes for Beethoven; Sally chases Linus, who has a crush on his teacher; and, of course, Charlie Brown angles to meet the little red headed girl. Written by Charles Schulz and directed by Phil Roman. *Color 25 minutes VHS Beta C: $14.95.*

WARNER

NATIONAL LAMPOON'S EUROPEAN VACATION (1985) The less-inspired but high-grossing sequel to 1983's National Lampoon's Vacation once again stars Chevy Chase as the pratfalling Clark Griswald. After he wins a free trip to the continent on a game show, Europe somehow will never be the same. Co-starring are Beverly D'Angelo, Jason Lively and Dana Hill, with a cameo by Monty Python alumnus Eric Idle. Directed by Amy Heckerling. Scheduled release date is Feb. 17. *Color PG-13 94 minutes VHS hifi mono Beta Hifi mono C: $79.95 LV: $34.98 Closed-captioned.*